

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3464-02
BILL NO.: HCS for HB 1674
SUBJECT: Agriculture and Animals; Agriculture Department
TYPE: Original
DATE: March 20, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$287,214)	(\$254,898)	(\$261,212)
Total Estimated Net Effect on <u>All</u> State Funds	(\$287,214)	(\$254,898)	(\$261,212)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this proposal would require the Department of Agriculture to develop standards for organic farming and expands neighborhood assistance to include farmer's markets. It appears to allow "for profit farmers markets" to qualify for NAP tax credits.

The DED assumes the program revisions to allow "for profit" farmers markets to qualify for NAP credits can be incorporated with existing staff. No fiscal impact is anticipated by the DED because the NAP credits are capped at a set amount.

Officials from the **Department of Agriculture (AGR)** state this proposal would require them to certify organic producers (farmers) to enable them to label, advertise and sell their produce, commodities, etc. as organic products. The AGR state this proposal will enable organic growers to sell their products at more retail locations, such as farmers markets, grocery stores, etc. It will provide a niche market for them and possibly a better price for their products. It will also encourage increased production of organic acres and will encourage a direct market from organic producers to consumers and/or other organic producers or processors.

The AGR states there are approximately 2,000 organic producers in Missouri and the potential number would likely increase with state certification. The AGR assumes this will require record keeping, inspection, etc. To administer this proposal, the AGR assumes the need for one Program Coordinator (at \$40,536 annually) and four Field Inspectors (each at \$32,952 annually). The Program Coordinator will be responsible for administering this program, developing organic standards and carrying out these standards to certify Missouri organic producers. The inspectors will be responsible for on site inspection of organic producers and would be housed at regional offices.

Officials from the **Department of Revenue (DOR)** anticipates an increase in the number of neighborhood assistance credits. However, the increase is unknown. The Division of Taxation, Personal Tax Bureau, will need one temporary tax season employee (a cost of \$6,067) for every 130,000 credits filed with this credit (key entry) and one Tax Processing Tech I for every 2,000 credits claimed (processing). The Personal Tax Bureau will also need one Tax Processing Tech I for every 30,000 additional errors generated. The Division of Taxation, Business Tax Bureau, will need one Tax Processing Tech I for every 3,680 credits received.

Oversight assumes the expanded eligibility of NAP credits will not have a fiscal impact on the state since the credits are capped and this proposal would only add a different clientele to be eligible to receive these credits. Oversight assumes the Department of Agriculture would not

need additional rental space for the 5 FTE requested.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Costs</u> - Department of Agriculture			
Personal Service (5 FTE)	(\$147,152)	(\$181,069)	(\$185,596)
Fringe Benefits	(\$45,249)	(\$55,679)	(\$57,071)
Expense and equipment	<u>(\$94,813)</u>	<u>(\$18,150)</u>	<u>(\$18,545)</u>
Total <u>Costs</u> - AGR	(\$287,214)	(\$254,898)	(\$261,212)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$287,214)</u>	<u>(\$254,898)</u>	<u>(\$261,212)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

A fiscal impact to small agriculture businesses could be expected as a result of this proposal.

DESCRIPTION

This bill provides for groups of farmers who have formed a group for the purpose of selling products derived from their farming activities at a common structure when at least 50% of the cost of such structure is paid by the group to be eligible for tax credits under the Neighborhood Assistance Act.

The bill also requires the Department of Agriculture to develop standards and labeling for organic farming.

L.R. NO. 3464-02
BILL NO. HCS for HB 1674
PAGE 4 OF 4
March 20, 2000

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Economic Development
Department of Revenue

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
March 20, 2000